UNITED
NATIONS

A

General Assembly

Distr.
GENERAL

A/47/827
21 December 1992
ENGLISH
ORIGINAL: SPANISH

Forty-seventh session
Agenda item 102

FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS, AND REPORTS OF THE BOARD OF AUDITORS

Report of the Fifth Committee

Rapporteur: Mr. Jorge OSELLA (Argentina)

1. At its 3rd plenary meeting, on 18 September 1992, the General Assembly decided to include in the agenda of its forty-seventh session the item entitled:

> "Financial reports and audited financial statements, and reports of the Board of Auditors:
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> "(a) United Nations;
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> "(b) United Nations Development Programme;
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> "(c) United Nations Children's Fund;
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> "(d) United Nations Relief and Works Agency for Palestine Refugees in the Near East;
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> "(e) United Nations Institute for Training and Research;
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> "(f) Voluntary funds administered by the United Nations High Commissioner for Refugees;
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> "(g) Fund of the United Nations Environment Programme;
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> "(h) United Nations Population Fund;
>
> "(i) United Nations Habitat and Human Settlements Foundation"

and to allocate it to the Fifth Committee.

2. At its 5th, 6th, 8th, 10th to 13th, 22nd and 50th meetings, on 14 to 16, 22, 23 and 26 October, 6 November and 19 December 1992, the Fifth Committee considered the financial reports and audited financial statements for the period ended 31 December 1991 and the reports and audit opinions of the Board of Auditors concerning the United Nations, including the International Trade Centre and the United Nations University, 1/ the United Nations Development Programme, 2/ United Nations Children's Fund, 3/ the United Nations Relief and Works Agency for Palestine Refugees in the Near East, 4/ the United Nations Institute for Training and Research, 5/ voluntary funds administered by the United Nations High Commissioner for Refugees, 6/ the Fund of the United Nations Environment Programme, 7/ the United Nations Population Fund 8/ and the United Nations Habitat and Human Settlements Foundation, 9/ and the related report of the Advisory Committee on Administrative and Budgetary Questions (A/47/500).

3. The Committee also had before it a note by the Secretary-General transmitting a concise summary of principal findings, conclusions and recommendations of common interest classified by audit area, contained in the reports prepared by the Board of Auditors for the General Assembly at its forty-seventh session (A/47/315); a report of the Secretary-General on the administrative system of the International Trade Centre (A/47/460); as well as a report of the Secretary-General on measures to facilitate reporting by staff members of inappropriate uses of the resources of the Organization, internal controls relating to the payment of allowances and benefits, and efforts to recover outstanding excess income tax reimbursements (A/47/510).

4. The comments and observations made in the course of the discussion of the item and the replies to queries raised are reflected in the relevant summary records (A/C.5/47/SR.5, 6, 8, 10-13, 22 and 50).

1/ Official Records of the General Assembly, Forty-seventh Session, Supplement No. 5 (A/47/5), vol. I and Corr.1, II and III.

2/ Ibid., Supplement No. 5A (A/47/5/Add.1).

3/ Ibid., Supplement No. 5B (A/47/5/Add.2).

4/ Ibid., Supplement No. 5C (A/47/5/Add.3).

5/ Ibid., Supplement No. 5D (A/47/5/Add.4).

6/ Ibid., Supplement No. 5E (A/47/5/Add.5).

7/ Ibid., Supplement No. 5F (A/47/5/Add.6).

8/ Ibid., Supplement No. 5G (A/47/5/Add.7).

9/ Ibid., Supplement No. 5H (A/47/5/Add.8).

5. At the 50th meeting, on 19 December, the Rapporteur of the Committee, following informal consultations, introduced a draft resolution (A/C.5/47/L.23) and a draft decision (A/C.5/47/L.27).

6. At the same meeting, the Committee adopted draft resolution A/C.5/47/L.23 without a vote (see para. 8).

7. Further, at the 50th meeting, the Committee adopted draft decision A/C.5/47/L.27 without a vote (see para. 9).

RECOMMENDATIONS OF THE FIFTH COMMITTEE

8. The Fifth Committee recommends to the General Assembly the adoption of the following draft resolution:

Financial reports and audited financial statements, and reports of the Board of Auditors

The General Assembly,

Having considered the financial reports and audited financial statements for the period ended 31 December 1991 of the United Nations, including the International Trade Centre and the United Nations University, 10/ the United Nations Development Programme, 11/ the United Nations Children's Fund, 12/ the United Nations Relief and Works Agency for Palestine Refugees in the Near East, 13/ the United Nations Institute for Training and Research, 14/ the voluntary funds administered by the United Nations High Commissioner for Refugees, 15/ the Fund of the United Nations Environment Programme, 16/ the United Nations Population Fund, 17/ and the United Nations Habitat and Human

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10/ Official Records of the General Assembly, Forty-seventh Session, Supplement No. 5 (A/47/5), vols. I and Corr.1, II, and III.

11/ Ibid., Supplement No. 5A (A/47/5/Add.1).

12/ Ibid., Supplement No. 5B (A/47/5/Add.2).

13/ Ibid., Supplement No. 5C (A/47/5/Add.3).

14/ Ibid., Supplement No. 5D (A/47/5/Add.4).

15/ Ibid., Supplement No. 5E (A/47/5/Add.5).

16/ Ibid., Supplement No. 5F (A/47/5/Add.6).

17/ Ibid., Supplement No. 5G (A/47/5/Add.7).

Settlements Foundation, 18/ the reports and audit opinions of the Board of Auditors, the concise summary of principal findings, conclusions and recommendations for remedial action of the Board of Auditors, 19/ and the report of the Advisory Committee on Administrative and Budgetary Questions, 20/

Taking note of the report of the Secretary-General on measures to facilitate reporting by staff members of inappropriate uses of the resources of the Organization, internal controls relating to the payment of allowances and benefits, and efforts to recover outstanding excess income tax reimbursements 21/ and the report of the Secretary-General on the administrative system of the International Trade Centre, 22/ prepared in response to General Assembly resolution 46/183 of 20 December 1991,

Noting the steps taken by executive heads and governing bodies of the United Nations organizations and programmes to give appropriate consideration and attention to the recommendations in earlier audit reports, as commented upon by the Board of Auditors in annexes to their current reports,

Stressing the importance of efficient resource management in all United Nations organizations and programmes,

Concerned about the cases of deficiencies in programme and financial management and inappropriate or fraudulent use of resources reported by the Board of Auditors, and other alleged such cases,

Recognizing that the Board of Auditors conducts its reviews in a comprehensive manner, as stipulated in regulation 12.5 of the Financial Regulations of the United Nations,

1. Accepts the financial reports and audited financial statements and the audit opinions and reports of the Board of Auditors regarding the aforementioned organizations;

2. Also accepts the concise summary of principal findings, conclusions and recommendations for remedial action of the Board of Auditors;

3. Notes with concern that the Board of Auditors issued qualified audit opinions on the financial statements of the United Nations, the United Nations Development Programme and the United Nations Population Fund, and that it also

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18/ Ibid., Supplement No. 5H (A/47/5/Add.8).

19/ A/47/315, annex.

20/ A/47/500.

21/ A/47/510.

22/ A/47/460.

issued a qualified audit opinion on compliance with the financial regulations and legislative authority of the transactions of the United Nations Institute for Training and Research;

4. Approves all the recommendations and conclusions of the Board of Auditors and the comments thereon contained in the report of the Advisory Committee on Administrative and Budgetary Questions;

5. Requests the Secretary-General to submit to the Board of Auditors a separate document of financial reports and financial statements for peace-keeping operations and then to submit them together with the Board's recommendations on these reports and statements to the General Assembly, without precluding the presentation of consolidated financial statements of the United Nations;

6. Requests the Board of Auditors to expand its audit coverage of all peace-keeping operations without reducing the coverage of regular budget and extrabudgetary activities, and decides that any additional costs shall be charged to the peace-keeping budgets concerned;

7. Recalls the importance for the Board of Auditors to provide the Secretary-General and the executive heads of United Nations organizations and programmes with an adequate opportunity to comment on its findings, in accordance with the relevant financial regulations and rules, before the Board arrives at its final conclusions and recommendations;

8. Recalls its resolution 46/183, and in that connection invites the Board of Auditors to continue to include separate sections that contain a summary of recommendations for corrective action to be taken by the United Nations organizations and programmes concerned, with an indication of relative urgency;

9. Notes with concern the findings of the Board of Auditors, and requests the Secretary-General and the executive heads of United Nations organizations and programmes:

(a) To strengthen budgetary control in order to avoid over-expenditure of approved budgets or allotments;

(b) To make purchasing policy on the acquisition of goods and services more cost-effective and transparent, inter alia, by reducing the number of exceptions to competitive bidding and ensuring that the reasons for such exceptions are recorded in writing;

(c) To give priority attention to compliance with the recommendations of the Board of Auditors on the hiring, granting of remuneration and performance evaluation of experts, consultants and personnel engaged on a short-term basis;

(d) To install a more effective system of managing and controlling the granting of allowances and benefits to staff members;

(e) To tighten control over the inventory of non-expendable property in all locations, including peace-keeping operations;

and to report on these matters to the General Assembly at its forty-eighth session;

10. Reaffirms the importance of timetables for compliance with recommendations of the Board of Auditors approved by the General Assembly, and requests the Secretary-General and the executive heads of United Nations organizations and programmes to submit to the General Assembly at its forty-eighth session, through the Advisory Committee on Administrative and Budgetary Questions at its spring session in 1993 and through the appropriate intergovernmental bodies, an action-oriented report outlining steps to be taken in response to the recommendations of the Board, including timetables for their implementation;

11. Notes with appreciation the action taken by the United Nations Development Programme to develop an internal mechanism to follow up on the recommendations of the Board of Auditors;

12. Requests the Secretary-General and the executive heads of United Nations organizations and programmes to ensure that all existing financial and staff regulations and rules are strictly complied with, including those relating to internal control over expenditure and those which assign personal responsibility and accountability in their performance, and to report to the General Assembly at its forty-ninth session on measures taken to strengthen internal controls in those areas where weaknesses have been identified;

13. Requests the Secretary-General to make proposals to the General Assembly at its forty-seventh session on:

(a) Establishing legal and effective mechanisms to obtain recovery of misappropriated funds, as recommended by the Advisory Committee on Administrative and Budgetary Questions in paragraph 53 of its report; 20/

(b) Seeking criminal prosecution of those who have committed fraud against the Organization;

14. Encourages the Secretary-General and the executive heads of United Nations organizations and programmes to take urgent steps to strengthen the independence and effectiveness of the internal audit function, to strengthen measures to ensure an adequate response to internal audit findings and to report thereon to the General Assembly;

15. Requests the Board of Auditors to evaluate the extent of compliance with their recommendations, to report thereon to the General Assembly at its forty-ninth session through the Advisory Committee on Administrative and Budgetary Questions, which shall recommend such measures as it deems appropriate to ensure implementation of those recommendations, and to draw attention to any of those recommendations that have not yet been implemented;

16. Welcomes the identification by the Board of Auditors of areas of horizontal study across the organizations audited, and endorses the intention of the Board to continue this practice in future audits;

17. Invites the Board of Auditors, in the context of regulation 12.5 of the Financial Regulations of the United Nations, to report at its discretion on the efficient and effective utilization of trust funds under the control of the Secretary-General;

18. Also invites the Board of Auditors, in its concise summary of principal findings, conclusions and recommendations, to report in a consolidated fashion on major deficiencies in programme and financial management and cases of inappropriate or fraudulent use of resources together with the measures taken by United Nations organizations in this regard;

19. Endorses the efforts of the Panel of External Auditors to ensure that common auditing standards for the United Nations system are consistent with those of recognized international auditing bodies;

20. Urges the Secretary-General and the executive heads of United Nations organizations and programmes to accelerate their efforts to develop common accounting standards for the organizations of the United Nations system and to take these standards into account in the preparation of their financial statements for the period ending 31 December 1993;

21. Requests the Secretary-General and the executive heads of United Nations organizations and programmes to ensure that future presentations of liquidity position should be made in the context of common accounting standards;

22. Notes with concern that the opinion of the Board of Auditors on the financial statements is subject to the ultimate resolution of unpaid assessed contributions from Member States; 23/

23. Calls the attention of the Secretary-General to the implications that the findings of the Board of Auditors about the management of the Organization may have for the image of the United Nations.

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9. The Fifth Committee also recommends to the General Assembly the adoption of the following draft decision:

23/ Official Records of the General Assembly, Forty-seventh Session, Supplement No. 5 (A/47/5), para. 369.

Financial reports and audited financial statements, and reports of the Board of Auditors

The General Assembly:

(a) Requests the Secretary-General to review the operation and effectiveness of each of the specialized administrative and budgetary support units of the Secretariat, including the Management Advisory Service, the Central Evaluation Unit, the Central Monitoring Unit and the Internal Audit Division, with a view to strengthening their efficiency, and to report, together with his recommendations, to the General Assembly at its forty-eighth session through the Advisory Committee on Administrative and Budgetary Questions;

(b) Decides, without prejudice to existing relevant resolutions of the General Assembly, to consider the roles and coverage of the coordination, administration and budgetary subsidiary bodies, including the Advisory Committee on Administrative and Budgetary Questions, the United Nations Board of Auditors, the Joint Inspection Unit and the Committee for Programme and Coordination, with a view to improving the effectiveness of its oversight and coordination mechanisms, and requests the Secretary-General to provide relevant background material together with his views and those of the bodies concerned to the General Assembly as soon as possible, but not later than its forty-ninth session.